



OVERSIGHT BOARD FOR THE SUCCESSOR AGENCY TO THE ARTESIA REDEVELOPMENT AGENCY AGENDA REPORT

MEETING DATE: 8/20/12**CONTROL NO:****ITEM NO:**

SUBJECT: REPORT ON BLANKET REJECTION BY DOF OF AMENDMENTS TO
ROPS I AND ROPS II FOR THE PIONEER BOULEVARD
IMPROVEMENT PROJECT

FROM: SUCCESSOR AGENCY TO THE ARTESIA REDEVELOPMENT AGENCY

PRESENTATION BY: JUSTINE MENZEL, DEPUTY EXECUTIVE DIRECTOR

BACKGROUND

At the Oversight Board's last meeting on July 3, 2012, the Oversight Board reviewed and approved an amendment to the Recognized Obligation Payment Schedules for January through June 2012 (ROPS I) and July through December 2012 (ROPS II) to allow the Successor Agency to complete the Pioneer Boulevard Improvement Project. The DOF had previously disapproved the contracts for that Project because the contracts were awarded in the name of the City rather in the name of the Agency. The Successor Agency explained and provided documentation that the Project was approved by the former Redevelopment Agency in Resolutions and Agreements in 2007 and 2011. The Oversight's Board approval of the amended ROPS would provide for the Successor Agency to finish this construction project that had been suspended in midstream due to the DOF's inaccurate conclusions that this was not an Agency project or obligation.

Immediately following the Oversight Board's meeting on July 3, 2012, the Successor Agency submitted the approved amended ROPS and Resolution No. OB 12-04 that made those amendments to the Department of Finance (DOF). On July 9, 2012, a representative of the DOF responded in an e-mail as follows: "Our position is that the time has passed for successor agencies to submit additional information. Currently there is no time for even a cursory review of the additional information, much less the thorough review that would be required. During the next ROPS review, we will take everything under consideration. Thank you." Thereafter, on July 12, 2012 all Successor Agencies in the state were sent the attached blanket rejection notice of any and all requests for approval of amendments to ROPS I and ROPS II.

Blanket Rejection of ROPS I and ROPS II Amendments

August 20, 2012

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In short, the DOF stated that it had completed its review for all distributions of the Redevelopment Property Tax Trust Fund made on June 1, 2012. All requests made for reconsideration are no longer accepted. Furthermore, requests to reconsider denied or disputed ROPS items will be addressed in the third period (January – June 2013) ROPS review.

The Successor Agency was not asking for an adjustment in RPTTF allocations at any time, but to utilize unspent bond proceeds on hand for the implementation of a project and contracts lawfully approved by the former Redevelopment Agency in 2007 and 2011. Thus, there was no reason why the DOF could not have considered and approved the amendment in July 2012. However, the Successor Agency has, once again, been unable get the DOF to consider this matter in detail and to distinguish the background and funding of this Project from other situations that may have involved an adjustment to Redevelopment Property Tax Trust Funds transmitted to a successor agency. In summary, the Successor Agency believes that the law and actions of the DOF have caused substantial damage to the Successor Agency and the City with no recourse or resolution so far. If and when this matter gets resolved as part of the ROPS III period, the delay and damages will have been significant because the Project will have been suspended for at least 6 months before the ROPS III Period even begins (January 1, 2013).

FISCAL IMPACT

The DOF's blanket rejection of the contracts for this Project is a fiscal catastrophe for the City because the costs incurred for this Project, if not paid for out of unspent bond funds, will cause a significant and unanticipated depletion in the City's reserves and will leave a public works project in a state of partial completion. Contracts for repayment to the City of Artesia for the Pioneer Downtown Construction, engineering and demolition services aggregate to \$2,611,892. As suggested in DOF's blanket rejection, this amount is carried forward to a new agenda item, the ROPS III, for Oversight Board consideration and approval of the contracts for this Project.

RECOMMENDATION

Receive and file.

ATTACHMENT

July 3, 2012 Amended ROPS Exhibit 1 and 2

July 12, 2012 Letter from Department of Finance

This is an amendment to Item No. 18 of the ROPS approved by the Oversight Board on May 2, 2012 only. This amendment does not affect any other items on the ROPS which were approved by the Oversight Board and the DOF.

****Item 18 was on previously approved ROPS. Payment amounts were not previously shown and have been added on this amended ROPS to include obligations to be paid by the Successor Agency, which were previously listed as separate line items referencing the payees under contracts between the payees and the City.

This is an amendment to Item No. 10 of the ROPS approved by the Oversight Board on May 2, 2012 only. This amendment does not affect any other items on the ROPS which were approved by the Oversight Board and the DOF.

****Item 10 was on previously approved ROPS. Payment amounts were not previously shown and have been added on this amended ROPS to include obligations to be paid by the Successor Agency, which were previously listed as separate line items referencing the payees under contracts between the payees and the City.



EDMUND G. BROWN JR. • GOVERNOR

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July 12, 2012

TO REDEVELOPMENT SUCCESSOR AGENCY REPRESENTATIVES

Subject: Request to Revise Recognized Obligations Payment Schedules and Requests for Reconsideration

Pursuant to Health and Safety Code (HSC) section 34177 (l) (2) (C), the California Department of Finance (Finance) has completed its review of Recognized Obligation Payment Schedules (ROPS) for the periods January through June 2012 and July through December 2012 and issued approval letters accordingly.

All distributions from the Redevelopment Property Tax Trust Fund (RPTTF) were required by law to be made on June 1, 2012 covering obligations for July 2012 through December 2012, as well as adjusting for property tax funding needs for the January through June 2012 period.

Pursuant to section 34183.5 (b)(2)(A), the county auditor-controller had to determine the amount, if any, that is owed by each successor agency to taxing entities based on ROPS approved by the Department. Therefore, the RPTTF amounts approved by Finance (as shown in Exhibit 12 at http://www.dof.ca.gov/assembly_bill_26-27/view/php) will remain final. Although we have continued to work diligently with each successor agency to review additional information and/or documentation related to disputed ROPS items, we are no longer accepting revised ROPS or requests to reconsider denied items nor making any revisions to existing requests. Any and all revised ROPS submitted to Finance for previous ROPS periods are hereby rejected. Requests to reconsider denied or disputed ROPS items will be addressed in our January through June 2013 ROPS review.

Please send any inquiries by email to: Redevelopment_Administration@dof.ca.gov.

Sincerely,

KRISTIN SHELTON
Program Budget Manager

cc: County Auditor-Controllers